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DEPARTMENT OF TREASURY
LANSING

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TO: Participating Schools and Lenders

FROM: Diane Todd Sprague, Director

DATE: February 16, 2007

SUBJECT: Educational Loan Notes

FEATURED FINANCIAL AID PROFESSIONAL



Susan Crkovski

During peak season, a typical day for Susan Crkovski, the Interim Campus Director of Davenport University in Dearborn, begins at 6:00 a.m. She bids her husband farewell as he goes to work, gets her daughter and son off to school, and then starts her day. Susan normally has to attend several meetings during the day, and often these meetings are in Grand Rapids – roughly a two and one-half hour drive away. After planning, brainstorming, analyzing processes, and preparing to upgrade to the Banner Management System, Susan will return to her office to finish the big pile of paperwork on her desk. When the clock strikes 9:00 p.m., she finally puts her pen away and prepares to go home to get ready for another day.

What would persuade someone to commit to such a long day? For Susan, it was a student who had been attending Davenport University on a part-time basis for over eight years and was finally getting ready to graduate. The student was crying uncontrollably and Susan tried to comfort her. The student assured Susan that she was all right, but was just overcome with emotion because she was finally achieving her goal and that as a single parent, this was a dream come true. Because of this incident and many more, graduation time holds a special place in Susan's heart.

Susan did not plan to work in financial aid. Living in Pittsburgh, Pennsylvania with a degree in accounting, Susan started working in the controller's office at a local school. Within six months, the accounts payable clerk went on maternity leave, and Susan was assigned to handle her duties. When the accounts payable clerk returned to work, someone in accounts

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receivable went on maternity leave, and Susan was switched again. Enjoying working with numbers, Susan did not mind learning every aspect in the finance department. Believe it or not, a few months later someone else went on maternity leave, and Susan was switched again. This time it was in financial aid. She continued working in financial aid until she married Louie Crkovski and relocated to the Detroit Metro area. She applied for a job at Davenport University and was hired as a financial aid officer in 1988. The reward of seeing someone graduate is so gratifying to Susan that she has remained in financial aid.

Financial aid is a challenging, ever-changing field, but it is never boring. Susan, however, would love to make a few more changes. One of the changes would involve postponing the implementation of programs that are not fully developed (i.e., ACG and SMART Grant programs). She would also eliminate the “drug question” on the FAFSA because she believes other felonies are equally harmful.

In spite of the complexity of financial aid, Susan is pleased with the training provided at the Federal Student Aid Conference, the Michigan Student Financial Aid Association (MSFAA) training conferences, and the Michigan Guaranty Agency (MGA) workshops and symposia. “There are so many resources available in MSFAA, and colleagues are always willing to help,” she said. Susan believes that MGA’s relationship with schools is like that of partners working together to achieve the same goal – educating Michigan students. She said, “I’m always pleased when MGA calls because it shows that they are concerned and want to make sure everything is all right.”

Davenport implements a “vital signs report” which allows them to track how quickly ISIR data is processed. During peak season they have been able to process ISIR records not selected for verification within 24 hours. Susan said that timely, efficient processing has improved customer service and helped with student retention. She wants to remove as many barriers as possible that might hinder a student from getting a higher education.

Susan was born in Yugoslavia where education is a luxury. In her view, students in the United

States seem to take education for granted, and many are not prepared to put forth the necessary effort needed in college. She believes that although students want to go to college, many are not willing to do what is needed to achieve a college education. Susan encounters a number of students who are not mentally prepared for college and in turn abuse the opportunity of going to school. In addition, many students are not familiar with basic money management skills. Susan’s desire is to increase the awareness of high school students to better prepare them for the demands of college life.

Susan is always up for a challenge because she wants to make a contribution to society. Even when she retires, she still plans to be active. In addition, she plans to travel, travel, and travel some more. Family is very important to Susan and in spite of her somewhat hectic schedule, she will always put them first. She believes that a loving family is the key to staying rooted and grounded, and strengthens us to face life’s challenges.

FY 2005 DRAFT COHORT DEFAULT RATES

FY 2005 draft cohort default rates were released to all eligible schools on February 12, 2007. All domestic schools received their FY 2005 draft cohort default rate electronically via their SAIG mailbox. Foreign schools receive their notification package via the U.S. Postal Service. Foreign schools that have one or more borrowers in repayment will receive their Loan Record Detail Report (LRDR) as an encrypted Portable Document Format (PDF) file on a CD-ROM. Foreign schools that receive a CD-ROM will also receive a separate letter providing the password needed to decrypt the LRDR.

Draft cohort default rates are for school information and review and are not made available to the public.

If you have any questions regarding the draft cohort default rates, please email fsa.schools.defaultmanagement@ed.gov, or call the Default Prevention and Management hotline at (202) 377-4259.

MGA DEFAULT AVERSION SYMPOSIUM III

On Thursday, April 5, 2007, the third installment of the MGA-sponsored Default Aversion Symposium Series entitled, "A Holistic Approach to Default Aversion," will be held at the Kellogg Center in East Lansing. Registration will begin at 8:30 a.m., with the program running from 9:00 a.m. until approximately 3:30 p.m.

In conjunction with the Michigan Statewide Default Prevention Project and the united goal that we all share in ensuring that Michigan students avoid loan default, this installment will focus on the many dynamic and interdependent pieces of the default aversion puzzle. When financial aid administrators work in tandem with other parties who have a vested interest in student success, a synergistic approach develops which yields highly efficient and successful results. Participants will explore potential partners in default aversion (even those outside of higher education), how to get the best results with partners, and new tactics to help bolster a school's default aversion efforts.

We are extremely pleased that Mary Stuart Hunter, Director of the National Resource Center for the First-Year Experience and Students in Transition at the University of South Carolina, will be the keynote speaker at this event. Ms. Hunter's work centers on providing educators with resources to develop personal and professional skills while creating and refining innovative programs to increase undergraduate student learning and success. Ms. Hunter has become interested in the intersection between student success and loan default prevention over the past year as she has worked with staff of various statewide guaranty agencies, as well as several people in the U.S. Department of Education (ED).

The event will also feature Justin Draeger, Assistant Director for Communications, National Association of Student Financial Aid Administrators. Justin's presentation will focus on how understanding the principles of dynamic thinking helps us link to different people and organizations to effectuate better default aversion results. Sometimes it is easy to see how changes in *Step A* affect *Step B*, but how do changes in *Part A* effect *Part Z*?

Dynamic versus static thinking will be discussed, and a student's collegiate career will be mapped out to determine if there are "impact points" where

financial aid administrators – in tandem with others in and outside higher education – can promote successful student loan repayment.

Registration is available on MGA's Web site at mgaloan.com where the electronic [registration form](#) may be accessed under the "What's New" section on our homepage. Everyone is welcome, however registration is required.

To accommodate out-of-town participants, Kellogg Center is holding a block of hotel rooms for Wednesday, April 4. Please mention that you are with the Michigan Guaranty Agency to receive the government rate of \$65. The toll-free number for reservations is 1-800-875-5090. (Please note that the room block will be released on March 12.)

The meeting site is handicapped accessible, including parking. Individuals with disabilities who need mobility, visual, hearing, and/or other assistance for effective participation should indicate such needs when registering. All such requests should be directed to Stacy Cardwell at 1-800-642-5626, extension 36074, at least ten days before the event. Any requests received after March 26 cannot be guaranteed.

Please feel free to contact Toots Lapata-Victorson at VictorsonT@michigan.gov or by telephone at 1-800-642-5626, extension 30296 if you have any questions.

MARK YOUR CALENDAR FOR THE 2007 SPRING SCHOOL WORKSHOPS

MGA's 2007 Spring School Update Workshops have been scheduled for May 14 at Schoolcraft College and May 15 at Kalamazoo Valley Community College. Tentative agenda topics include:

- Overview of federal verification and taxes
- The role of student loan guarantors
- Federal update
- How financial aid laws and regulations are made
- Consumer information
- Citizenship

More detailed information will be included in the next issue of *Educational Loan Notes*. Questions pertaining to the workshops should be directed to Nancy Vaughn at extension 31871 or via email at VaughnN@michigan.gov.

MYF'S NEW ARCHIVE POLICY FOR ONLINE STUDENT LOAN COUNSELING RECORDS

Beginning July 1, 2007, Mapping Your Future (MYF) will limit the length of time it retains Online Student Loan Counseling (OSLC) records to better protect borrowers' confidential data. The new policy emphasizes the importance of schools retaining a copy of the counseling record, either electronically or on paper.

The new policy will stand as follows:

- The most recent year of counseling records will be available online for schools to retrieve.
- The preceding two years will be available offline upon customer service request.
- All prior data will be unavailable.

While MYF is not a record keeper, it has maintained all counseling records online as a courtesy since July 16, 2003. MYF's obligation to protect borrowers' confidential data must now take a higher priority.

Some schools retain a copy of the counseling notification email as documentation of the counseling session. However, the notification emails contain only very limited information such as the counseling type, confirmation number, first initial, last name, and last four digits of the student's Social Security Number. Additionally, email service can be interrupted from time to time, causing the emails to be delayed or undeliverable. MYF recommends that schools instead retain a copy of the full counseling record for documentation. The full record contains all of the information that the student enters on the student form at the end of the counseling session, such as the student's demographic information, employer, references, next of kin, etc.

Schools not regularly retrieving loan counseling records or retaining them per record retention requirements should begin doing so immediately, concentrating on older records first before MYF archives them.

More information on record retrieval can be found in the OSLC User's Guide at mapping-your-future.org/services/oslcpsindex.htm. Contact Beth

Ziehmer at feedback@mapping-your-future.org or by phone at 573-796-3730 for questions about retrieving OSLC records.

MAPPING YOUR FUTURE PLANS ONLINE TRAINING SESSIONS FOR FINANCIAL AID PROFESSIONALS

MYF has scheduled training sessions to provide schools with information about Online Student Loan Counseling. The training will include an online presentation with audio via conference call.

The training sessions will be offered on a bi-weekly basis during the month of March, as follows:

- Thursday, March 1 at 11 a.m. Eastern
- Tuesday, March 13 at 2 p.m. Eastern
- Thursday, March 29 at 11 a.m. Eastern

The sessions are scheduled for one hour each. The purpose of the training is to provide information on fully utilizing OSLC to benefit your school and your students. The training is designed to benefit financial aid administrators with a wide range of expertise in OSLC, from beginners to seasoned administrators, and will review topics such as managing users, report options, and customization features.

Registration is required to participate and may be completed online at mapping-your-future.org/services/oslcTraining.cfm. For more information, contact Beth Ziehmer at feedback@mapping-your-future.org.

NEW DEFAULT PREVENTION FACILITY OPENS

MGA, in partnership with Student Assistance Corporation (SAC), provides best-in-class default prevention services for Michigan borrowers designed to reduce school cohort default rates statewide. SAC recently opened its new facility located in Muncie, Indiana and has begun providing default prevention services for MGA from the new location. This shift of the Michigan portfolio from the Las Vegas location takes advantage of economic and regional factors strategically implemented to result in a more talented and experienced team of default prevention specialists working on MGA's

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behalf. The regional change also increases specialist-to-borrower contact by coordinating shifts and time zones to achieve increased satisfaction levels to our Michigan student loan borrowers and schools.

MGA targets delinquent borrowers in the current cohort cycle for enhanced default aversion services to reduce Michigan schools' cohort default rates, and also pursues resolution on loans beyond the cohort cycle to achieve optimum trigger and cumulative default rates. We offer late stage delinquency assistance that focuses on borrowers in the most critical stage of delinquency to generate "eleventh hour" default aversion activities in an effort to bring an account out of default claim status and back into repayment.

MGA's default prevention specialists are available Monday through Friday from 8:00 a.m. to 8:00 p.m. and Saturday and Sunday from 8:00 a.m. to 12:00 noon to assist borrowers at 1-800-635-3786

EVALUATION NOTABLES OF THE 2006 HIGH SCHOOL COUNSELOR VIDEO CONFERENCE

In November 2006, 710 high school counselors and financial aid administrators attended the student financial aid video conference. Held annually, the purpose of the conference is to provide updated federal and state student financial aid information to high school counselors throughout Michigan. Attending the conference also provides networking opportunities between high school counselors and Michigan Student Financial Aid Association (MSFAA) members. Each year, counselors have the opportunity to attend any of the 23 college and university sites to talk with financial aid administrators, tour the campus, and gather information that will help them be better equipped to assist high school students with college planning. In addition to the college and university sites, there were two intermediate school district offices that served as host sites for the 2006 video conference.

Based on information requested on the conference evaluations, it was learned that the majority of counselors spend less than 25 percent of their time providing financial aid information to students. Of that group,

31 percent of the counselors indicated they spend between two and five percent of their time on matters related to student financial aid. Even though high school counselors spend a small portion of their time dealing with student financial aid, attending the conference is their primary source for gaining access to updated student financial aid information. The video conference allows counselors to fax or phone in questions, and responses are provided during the Q&A period. The counselors receive updated materials and find out who to contact as state and federal referral sources.

Also on the evaluations, counselors had the opportunity to indicate what specific student financial aid topics they are interested in learning more about, and their responses will be used when planning future financial aid video conferences. This year, counselors indicated they were interested in information regarding:

1. How financial need is determined.
2. Searching for scholarships safely.
3. Interpreting the Student Aid Report (SAR).
4. Financial planning for college.
5. The basics of financial aid packages.

For more information pertaining to the High School Counselor Video Conferences, please contact Peggy LaFleur at extension 38319 or via email at LafleurP@michigan.gov.

REVISED ECONOMIC HARDSHIP DEFERMENT REQUEST FORM

The Economic Hardship Deferment Request Form has been revised to reflect the new 2007 Poverty Guideline figures recently released by the U.S. Department of Health and Human Services. Lenders must begin using the new form immediately. The [updated form](#) is available on MGA's Web site at mgaloan.com by scrolling to the bottom of our homepage and clicking on "Forms and Documents" under the "Lenders, Servicers, Partners" heading. A copy of the new Poverty Guidelines is available at: <http://aspe.hhs.gov/poverty/07fedreg.pdf>.

If you have questions regarding this matter, please contact Betty Calloway at extension 39639 or via email at CallowayB@michigan.gov.

MORE CLARIFICATION ON LOANS ELIGIBLE FOR 9.5 PERCENT SPECIAL ALLOWANCE

ED recently posted Dear Colleague Letter (DCL) FP-07-01 that reiterates the requirements that determine whether or not a loan made or acquired with funds derived from tax-exempt financing sources is eligible for the 9.5 percent minimum special allowance. ED is sending instructions to all institutions that bill for the 9.5 percent special allowance rate before it will pay future billings on 9.5 percent loans. Pending completion of this process, all billings will be paid at the regular special allowance rate.

The DCL describes the specific sources of funds derived from a tax-exempt obligation that can be used to acquire loans that qualify for special allowance at the 9.5 percent minimum return rate. These sources are identified as:

- Funds obtained from the issuance of a tax-exempt obligation originally issued prior to October 1, 1993, or from investment earnings on the proceeds of such an obligation; and
- Funds obtained as collections on, interest benefits or special allowance payments on, or income on, loans made or purchased from the proceeds of that tax-exempt obligation.

More detailed information is provided in the DCL which may be obtained from the IFAP Web site at <http://www.ifap.ed.gov/dpcletters/FP0701.html>.

If you have questions regarding this matter, please contact Betty Calloway at extension 39639 or via email at CallowayB@michigan.gov.

NSLDS REPORTING REMINDER

Federal law requires lenders and lender servicers to report all status changes throughout the life of a loan to their guarantors. MGA encourages its lenders to report status changes on a monthly basis. It is crucial that loan information is updated and reported in a timely manner so MGA loan data will match the information on the lender's system. This will ensure that the information sent to the National Student Loan Data System (NSLDS) is accurate.

Status changes to report include, but are not limited to:

- Enrollment status changes.
- Cancellation of all or a portion of the loan.
- Loan sales or transfers.
- Disbursement date changes.
- Date loans enter repayment.
- Loans that have been paid in full or consolidated.

Forms currently used by lenders to report changes are:

- Loan Maintenance form.
- Loan Change form.
- Disbursement Change form.
- Borrower/Student Personal Information form.
- Sub/Unsub Reallocation form.

If you need to order forms please visit our Web site at mgaloan.com. Click on "Resources" and then "Ordering Supplies." If you require assistance with reporting to the NSLDS or have other questions or concerns regarding NSLDS reporting, please contact Betty Calloway at extension 39639 or via email at CallowayB@michigan.gov.

THE "ED" PIPELINE

Following is a description and link to some of the most recent ED correspondence for schools and lenders.

Dear Partner January 2007 FP-07-01

This letter restates the applicable requirements of the HEA and regulations that control whether FFELP loans acquired with funds derived from tax-exempt financing sources are eligible for special allowance payments at the 9.5 percent minimum return rate.

Dear Partner January 2007 ANN-07-01

This announcement serves as a reminder that Federal Student Aid's three-day "Financial Aid Basics" training will be delivered in five cities throughout 2007.

LENDER LIST UPDATES

School personnel continuing to use their paper copy of MGA's "Participating Lender List" should record the following actions on the list dated May 12, 2006. Please make the appropriate changes in all sections of the list as needed.

To access the most current lender information and eliminate the need for manual updates, use the electronic version of MGA's "Participating Lender List" available at mgaloan.com. Select "Financial Aid Professionals," and then "FAA Resources." If you have any questions regarding these updates, please contact Pat Fromm at extension 36076 or via email at FrommP@michigan.gov.

Newly Participating Lender

BONY ELT College Board, 834322, c/o Citibank, 99 Garnsey Road, Pittsford, NY 14534-4532. Telephone: 800-967-2400.

SCHOOL LIST UPDATES

The following changes should be recorded by lenders on MGA's "Active Michigan School List" dated January 17, 2007. If you have any questions regarding these changes, please contact Stacy Cardwell at extension 36074 or at CardwellS@michigan.gov.

Contact Information Updates

Chic University of Cosmetology, Grand Rapids, 008178-00

Anna Halicka's new email address is anna.halicka@chicuniversity.com.

Gogebic Community College, Ironwood, 002264-00

Sue Forbes' new email address is suef@gogebic.edu.

ITT Technical Institute, Flint, 007557-05

Corey Gibbs' fax number is 810-762-2590.

Lansing Community College, Lansing, 002278-00

Elizabeth Stallard's telephone number is 517-483-1945.

Contact Name Changes

Davenport University, Dearborn, 002249-40 and Davenport University, Warren, 002249-31

Delete Zena Skinner. Patricia Finerty is the Financial Aid Director for these locations. Patricia's telephone number is 989-799-9300, fax number is 989-752-3453, and email address is patricia.finerty@davenport.edu.

David Pressley Professional School of Cosmetology, Taylor, 010827-01

Delete Jennifer Gawracz. Lori Richmond is the new Financial Aid Director. Lori's telephone number is 313-291-7381, fax number is 313-291-9761, and email address is davidpressleydownriver@comcast.net.

Ferris State University, Big Rapids, 002260-00

Delete Ronnie Higgs. Sara Dew is the new Interim Director of Financial Aid. Sara's telephone number is 231-591-2115, fax number is 231-591-2950, and email address is dews@ferris.edu.

Wayne State University, Detroit, 002329-00

Deirdre Moore is the Interim Financial Aid Director. Loan issues should be directed to Justin Adams, Loan Manager. Justin's telephone number is 313-577-4957, fax number is 313-577-6648, and email address is ad6067@wayne.edu.

Address Update

University of Detroit Mercy, Detroit, 002323-00

Remove the FAC 70 Fisher Building, Box 19900 address and replace with the street address of 4001 West McNichols Road, Detroit, 48221-3038.



Calendar of Upcoming Events

February 2007

19 MGA offices closed

March 2007

1 Mapping Your Future OSLC online training
11:00 a.m. Eastern

13 Mapping Your Future OSLC online training
2:00 p.m. Eastern

29 Mapping Your Future OSLC online training
11:00 a.m. Eastern

April 2007

5 MGA Default Aversion Symposium III
"A Holistic Approach to Default Aversion"
Kellogg Center, East Lansing

10 Mapping Your Future Evening Chat
7:00-8:00 p.m. Eastern
General financial aid, student loan, and money
management questions

If you need further information or wish to submit items for the calendar, please contact
Jim Peterson, Editor, at extension 36944 or via email at PetersonJ@michigan.gov.